

Message Text

PAGE 01 STATE 029176
ORIGIN EA-12

INFO OCT-01 ISO-00 PA-02 STR-07 EB-08 /030 R

DRAFTED BY EA/J:H A COCHRAN:EH
APPROVED BY EA/J:R N KILPATRICK
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FM SECSTATE WASHDC
TO AMEMBASSY TOKYO

UNCLAS STATE 029176

E.O. 11652: N/A

TAGS: ETRD, MTN, JA, US, OVIP (STRAUSS, ROBERT S.)

SUBJECT: CONGRESSIONAL TESTIMONY OF AMB. STRAUSS

1. FOLLOWING IS TEXT OF OPENING STATEMENT MADE BY AMB. STRAUSS AT HIS TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE'S SUBCOMMITTEE ON INTERNATIONAL TRADE, FEB 1, 1978. AMB STRAUSS DEPARTED FROM TEXT OCCASIONALLY, BUT NOT SUBSTANTIALY.

2. QUOTE. MR. CHAIRMAN:

3. I WELCOME THIS OPPORTUNITY TO REPORT ON OUR RECENT CONSULTATIONS WITH THE GOVERNMENT OF JAPAN. AS YOU ARE AWARE, OUR TALKS CULMINATED ON JANUARY 13, IN TOKYO WITH THE RELEASE OF A JOINT STATEMENT BY THE JAPANESE MINISTER OF STATE FOR EXTERNAL ECONOMIC AFFAIRS, MR. USHIBA, AND MYSELF. I THINK IT APPROPRIATE, MR. CHAIRMAN, THAT A COPY OF THAT JOINT STATEMENT APPEAR IN THE RECORD OF THESE HEARINGS. AS I HAVE SAID PUBLICLY ON A NUMBER OF OCCASIONS, MR. CHAIRMAN, I BELIEVE THIS DOCUMENT, IF SUBSTANTIALY IMPLEMENTED, COULD REDEFINE THE ECONOMIC RELATIONSHIP BETWEEN
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PAGE 02 STATE 029176

THE UNITED STATES AND JAPAN.

4. AT THE OUTSET, MR. CHAIRMAN, I WOULD LIKE TO SAY THAT CONSULTATIONS BETWEEN OUR TWO COUNTRIES ON MATTERS OF MUTUAL CONCERN ARE AN ALTOGETHER DESIRABLE AND NECESSARY PROCESS. WE LIVE IN A WORLD OF GROWING ECONOMIC INTERDEPENDENCE. THE ECONOMIES OF JAPAN AND THE UNITED STATES ARE THE TWO LARGEST SINGLE-NATION MARKET ECONOMIES IN THE WORLD. OUR TRADE APPROACHES ONE QUARTER THE VALUE OF WESTERN WORLD TRADE. THE UNITED STATES IS THE LARGEST

SINGLE MARKET FOR JAPANESE EXPORTS. JAPAN IS A MAJOR PURCHASER OF U.S. AGRICULTURAL EXPORTS, PRIMARILY GRAINS. INDEED, THERE IS MORE LAND UNDER CULTIVATION FOR JAPAN IN THE UNITED STATES THAN THERE IS LAND UNDER CULTIVATION FOR JAPAN IN JAPAN. WE DEPEND UPON ONE ANOTHER FOR OUR MUTUAL PROSPERITY; AND THE REST OF THE WORLD LOOKS TO OUR TWO COUNTRIES FOR ECONOMIC LEADERSHIP. TOGETHER THERE IS MUCH WE CAN DO TO PRESERVE AND STRENGTHEN THE WORLD TRADING SYSTEM AND TO FOSTER THE RECOVERY OF THE WORLD ECONOMY. IN THE WORDS OF PRIME MINISTER FUKUDA, "JAPAN AND THE UNITED STATES SHARE A COMMON DESTINY." ACCORDINGLY, IT IS ESSENTIAL THAT WE CONTINUE TO CONSULT AND COORDINATE OUR ECONOMIC POLICIES CLOSELY.

5. U.S. OBJECTIVES. DURING 1977, SENIOR OFFICIALS OF OUR GOVERNMENT MET FREQUENTLY WITH OFFICIALS OF THE JAPANESE GOVERNMENT. OUR OBJECTIVES IN THESE CONSULTATIONS WERE TWO-FOLD:

FIRST, WE SOUGHT TO CONVEY OUR DEEP CONCERN THAT JAPAN'S MASSIVE CURRENT ACCOUNT SURPLUSES, IN THE LIGHT OF CURRENT GLOBAL ECONOMIC CONDITIONS, WERE GENERATING PRESSURES WHICH COULD UNDERMINE THE GLOBAL TRADE AND PAYMENTS SYSTEMS -- A UNCLASSIFIED

PAGE 03 STATE 029176

SYSTEM UNDER WHICH BOTH OUR COUNTRIES HAVE PROSPERED; AND

SECOND, TO ENCOURAGE THE JAPANESE GOVERNMENT TO TAKE SPECIFIC CORRECTIVE ACTIONS WHICH WOULD RESULT IN A CURRENT ACCOUNT DEFICIT AND WOULD RELIEVE THOSE PRESSURES. WE URGED THE JAPANESE GOVERNMENT TO JOIN US IN A COMMITMENT TO ACHIEVE EQUIVALENT MARKET ACCESS AT THE CONCLUSION OF THE MULTILATERAL TRADE NEGOTIATIONS IN GENEVA.

6. FOR THE YEAR JUST ENDED, JAPAN HAS POSTED A RECORD CURRENT ACCOUNT SURPLUS (TRADE IN GOODS AND SERVICES, PLUS FOREIGN INCOME) OF MORE THAN \$10 BILLION -- FULLY ONE QUARTER THE SIZE OF THE OPEC SURPLUS. THE PREVIOUS HIGH WAS \$6.6 BILLION, SET IN 1972.

7. WE BELIEVE THAT A CURRENT ACCOUNT SURPLUS OF THIS MAGNITUDE IS TOTALLY UNACCEPTABLE IN THE LIGHT OF CURRENT ECONOMIC CONDITIONS, AND INDEED, IMPOSES A SEVERE STRAIN ON THE GLOBAL TRADE AND PAYMENTS SYSTEM. ACCORDINGLY, WE URGED THE JAPANESE GOVERNMENT TO TAKE STEPS TO REDUCE ITS CURRENT ACCOUNT SURPLUS IN THE COMING YEAR AND ELIMINATE IT IN THE YEAR OR TWO THEREAFTER. IN ADDITION, WE MADE A NUMBER OF SUGGESTIONS AS TO HOW THIS MIGHT BE ACCOMPLISHED.

8. I AM PLEASED TO REPORT TO THE SUBCOMMITTEE THAT THE GOVERNMENT OF JAPAN, WHICH SHARES OUR CONCERN OVER THE SIZE OF ITS CURRENT ACCOUNT SURPLUS, IS ADOPTING OUR STRONGLY PRESENTED SUGGESTIONS MADE DURING THE CONSULTATIONS.

9. THE JAPANESE GOVERNMENT HAS UNDERTAKEN STEPS AIMED AT ACHIEVING A MARKED DIMINUTION OF ITS CURRENT ACCOUNT SURPLUS IN THE COMING JAPANESE FISCAL YEAR. IN ADDITION, FOR FISCAL YEAR 1979 AND THEREAFTER, UNDER PRESENT INTERNATIONAL ECONOMIC CONDITIONS THE JAPANESE GOVERNMENT INTENDS TO EXERT ALL REASONABLE EFFORTS WITH A VIEW TO FURTHER REDUCING ITS CURRENT ACCOUNT SURPLUS AIMING AT EQUILIBRIUM AND TO ACCEPT A DEFICIT IF ONE SHOULD OCCUR.

UNCLASSIFIED

PAGE 04 STATE 029176

10. THE JAPANESE GOVERNMENT HAS REITERATED ITS REAL GROWTH TARGET OF 7 PERCENT FOR THE COMING FISCAL YEAR, AND HAS STATED ITS INTENTION TO TAKE ALL REASONABLE AND APPROPRIATE MEASURES TO ACHIEVE SUCH A TARGET. IN PARTICULAR THE JAPANESE GOVERNMENT HAS ANNOUNCED A 15 MONTH BUDGET WHICH INCLUDES SUBSTANTIAL INCREASES FOR PUBLIC EXPENDITURES TO INCREASE DEMAND WITHIN THE JAPANESE ECONOMY. IT IS OUR VIEW THAT THE SINGLE MOST IMPORTANT TOOL AT THE DISPOSAL OF THE JAPANESE GOVERNMENT FOR REDUCING ITS SURPLUS IS THE ACHIEVEMENT OF A HIGHER RATE OF GROWTH.

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PAGE 05 STATE 029176

13. BOTH GOVERNMENTS BELIEVE IT IS ESSENTIAL THAT THE MULTILATERAL TRADE NEGOTIATIONS BE ADVANCED TO A SUCCESSFUL CONCLUSION IN THE COMING YEAR. IN THIS REGARD, THE JAPANESE GOVERNMENT HAS STATED ITS INTENTION TO SUPPORT THE ACCELER-

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14. IN ADDITION -- AND I BELIEVE THAT THIS IS EXTREMELY IMPORTANT IN TERMS OF A LONG-TERM RELATIONSHIP BETWEEN OUR TWO COUNTRIES -- THE JAPANESE GOVERNMENT HAS PUBLICLY ACCEPTED OUR PROPOSAL THAT THEY MUST ACHIEVE BASIC EQUITY IN THEIR TRADING RELATIONS BY AFFORDING MAJOR TRADING COUNTRIES SUBSTANTIALLY EQUIVALENT TRADING OPPORTUNITIES ON A RECIPROCAL BASIS. TO ACHIEVE PARITY IN THEIR RELATIONS AND EQUIVALENT OPENNESS OF THEIR MARKETS WITH THE UNITED STATES, THEY HAVE AGREED TO UNDERTAKE DEEPER THAN FORMULA TARIFF REDUCTIONS ON ITEMS OF INTEREST TO OTHER COUNTRIES WITH THE AIM OF ACHIEVING COMPARABLE, AVERAGE LEVELS OF BOUND TARIFFS.

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PAGE 06 STATE 029176

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16. THE JAPANESE GOVERNMENT INTENDS TO TAKE A NUMBER OF OTHER STEPS AIMED AT LIBERALIZING ACCESS OF FOREIGN GOODS TO THE JAPANESE MARKET. THESE INCLUDE LIBERALIZATION OF GOVERNMENT PROCUREMENT PRACTICES; EXTENSION OF THE STANDARD METHOD OF SETTLEMENT; IMPROVEMENT IN INSPECTIONS AND TESTING PROCEDURES; EXPANSION OF IMPORT FINANCING; REFORM OF FOREIGN EXCHANGE CONTROL; AND SUPPORT OF THE NEWLY ESTABLISHED TRADE FACILITATION COMMITTEE. I CONSIDER THE TRADE FACILITATION COMMITTEE IN THE COMMERCE DEPARTMENT ONE OF THE INTEGRAL PARTS OF OUR PROGRAM TO ACHIEVE GREATER ACCESS TO THE JAPANESE MARKET IN THE NEXT FEW YEARS.

17. ALSO THE JAPANESE GOVERNMENT HAS ANNOUNCED ITS INTENTION TO FORM A NUMBER OF JOINT INDUSTRY GROUPS TO EXPLORE THE POSSIBLE PURCHASE OF CITRUS PRODUCTS, FOREST PRODUCTS, NUCLEAR PLANT MACHINERY AND EQUIPMENT, AND TO INCREASE

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PAGE 07 STATE 029176

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POSTURE FOR THE BENEFIT FOR EVERY AMERICAN AND INDEED THE
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UNCLASSIFIED

PAGE 01 STATE 029176
ORIGIN STR-03

INFO OCT-01 ISO-00 STRE-00 EA-03 /007 R

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DRAFTED BY: STR: SBWILSON/MFD

APPROVE D BY: STR/SBWILSON/MFD

-----069129 071116Z /14

R 071025Z FEB 78

FM SECSTATE WASHDC

INFO AMEMBASSY WELLINGTON 0000

UNCLAS STATE 029176

PASS AMB ALAN WOLFF

FOLLOWING REPEAT STATE 29176 ACTION TOKYO FEB 03.

QUOTE S STATE 029176

E.O. 11652: N/A

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PAGE 04 STATE 029176

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<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 26 sep 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VISITS, US CONGRESSIONAL HEARINGS, FOREIGN TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 03 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE029176
Document Source: ADS
Document Unique ID: 00
Drafter: EA/J:H A COCHRAN:EH
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Expiration:
Film Number: D780052-0543
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197802120/baaafbsq.tel
Line Count: 506
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: be9ab5cf-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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TAGS: ETRD, EAGR, OVIP, PGOV, JA, US, MTN, (STRAUSS, R S)
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